

Message Text

CONFIDENTIAL

PAGE 01 CAIRO 11195 061257Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----069459 061325Z /46

R 061150Z JUL 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 6935
INFO AMCONSUL ALEXANDRIA

C O N F I D E N T I A L CAIRO 11195

EXDIS

E.O. 11652: GDS
TAGS: EINV ETRD EG
SUBJ: GOE STIFFENS TERMS FOR FORD INVESTMENT PROPOSAL

REF: CAIRO 11089

SUMMARY: FORD REP. OUROUSSOFF TELLS US GOE HAS NOW STIFFENED TERMS IT PROPOSED FOR ACCEPTANCE OF FORD INVESTMENT PROPOSAL (REFTEL), BY REDUCING FROM 20 TO 15 PERCENT AMOUNT OF CUSTOMS DUTY DIFFERENTIAL BETWEEN COMPLETELY-KNOCKED-DOWN AND BUILT-UP TRUCKS. GOE HAS ALSO INDICATED SUSPICION THAT FORD WILL ABANDON PROJECT AFTER USING IT TO GET OFF BOYCOTT LIST AND TO PENETRATE ARAB MARKETS. GOE WILL DNO NOTHING, BEYOND APPROVING PROJECT ITSELF, TO HELP COMPANY HAVE BOYCOTT SANCTION LIFTED. OUROUSSOFF UNSURE WHAT COMPANY'S REACTION TO REDUCTION OF DIFFERENTIAL WILL BE, BUT HAS RECOMMENDED TO FORD "FINAL" HIGH LEVEL MEETING IF PROJECT IS TO BE PURSUED. END SUMMARY

1. SUBSEQUENT TO TRANSMISSION OF REFTEL, OUROUSSOFF CALLED AGAIN (ON JULY 5) TO SAY THAT GOE HAS STIFFENED ITS TERMS FOR APPROVAL OF FORD PROJECT. INSTEAD OF ALLOWING 20 PERCENT CUSTOMS DIFFERENTIAL BETWEEN COMPLETELY-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 11195 061257Z

KNOCKED-DOWN (CKD) AND BUILT-UP (BU) TRUCKS, GOE HAD REDUCED SPREAD TO 15 PERCENT. (FORD HAD ORIGINALLY SOUGHT A 55 PERCENT DIFFERENTIAL , BASED ON RAISING BUILT-UP DUTY TO 55 PERCENT AND LOWERING CKD DUTY TO ZERO.) TWENTY PERCENT DIFFERENTIAL PROPOSED REFTEL WAS ALREADY SUBSTANTIAL REDUCTION FROM WHAT COMPANY HAD SOUGHT AND MERE 15 PERCENT IS OBVIOUSLY EVEN LESS ATTRACTIVE.

2. OUROUSSOFF INDICATED THAT NEW PROPOSAL FOR 15 PERCENT DIFFERENTIAL WAS COMMUNICATED TO HIM BY NASCAR CHAIRMAN GAZARINE, WHO INDICATED FIGURE REPRESENTED CONSENSUS OF SAME MINISTERS WHO HAD APPROVED EARLIER VERSION (REFTEL REFERENCE PARA 1 TO MINFIN HAMED SHOULD HAVE READ MIN ECON SAYEH). EARLIER OFFER, WITH 20 PERCENT FIGURE, HAD NOT BEEN COMMUNICATED TO FORD BY EGYPTIANS, BUT THEY PLANNED TO TELEX COMPANY JUNE 5 WITH 15 PERCENT PROPOSAL.

3. OUROUSSOFF UNCERTAIN ABOUT COMPANY'S REACTION. STUDIES WILL BE NECESSARY TO DETERMINE PRECISE EFFECT OF LOWERED DIFFERENTIAL ON ECONOMIC VIABILITY OF PROJECT, BUT OUROUSSOFF AGAIN EXPRESSED FEARS NEW MOVE BY EGYPTIANS MAY SOUR COMPANY ON PROJECT ALTOGETHER. HE IS RECOMMENDING TO FORD/US THAT, ASSUMING THEY ARE STILL INTERESTED IN PURSUING PROJECT, FORD INVITE TOP-LEVEL EGYPTIAN TEAM TO DEARBORN OR SEND FORD TEAM HERE FOR "FINAL" NEGOTIATING EFFORT.

4. IN ADDITION TO LOWERED DIFFERENTIAL, OUROUSSOFF IS CONCERNED ABOUT OTHER ASPECTS OF GOE OFFER AND GOE ATTITUDES AS COMMUNICATED BY GAZARINE. FIRST, 15 PERCENT DIFFERENTIAL WOULD NOT COME INTO EFFECT UNTIL 40 PERCENT LOCAL CONTENT REQUIREMENT WAS MET. UNTIL THAT TIME (I.E., IN FIRST YEARS OF PROJECT IMPLEMENTATION) CURRENT CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 11195 061257Z

DIFFERENTIAL (ABOUT 5 PERCENT), WOULD CONTINUE IN FORCE. GOE OFFICIALS ALSO MADE COMMENTS SUGGESTING THAT FORD MUST BE PREPARED LOSE MONEY IN EGYPT IN ORDER EAR PROFITS IN REST OF ARAB WORLD. (OUROUSSOFF SAID HIS REACTION TO THIS WAS TO ASK HOW GOE, AS A SHAREHOLDER IN VENTURE, COULD ACCEPT SUCH AN IDEA AND HOW PROSPECTIVE ARAB INVESTORS COULD BE EXPECTED TO ACCEPT IT.)

5. SUGGESTION WAS ALSO REPORTEDLY MADE BY EGYPTIANS THAT FORD WANTS TO USE EGYPTIAN VENTURE AS WAY OF GETTING OFF BOYCOTT LIST AND PENETRATING ARAB, INCLUDING EGYPTIAN, MARKET WITH IDEA OF LATER ABANDONING PROJECT. OUROUSSOFF DENIED ANY SUCH INTENTION AND POINTED TO FACT THAT WITH RESPECT TO DIESEL ENGINES, SUBSTANTIAL PARTY OF COMPANY'S WORLD-WIDE REQUIREMENTS WERE TO BE MET FROM EGYPTIAN PLANT. OUROUSSOFF BELIEVES COMPANY'S EFFORTS TO SEEK DEALERS IN VARIOUS PARTS OF ARAB WORLD MAY HAVE FUELED EGYPTIAN SUSPECTIONS ABOUT FORD'S INTENTIONS.

6. FINALLY, OUROUSSOFF SAID, EGYPTIANS REFUSE ABSOLUTELY TO TAKE ANY SPECIFIC STEPS TO HAVE FORD FORMALLY REMOVED FROM BOYCOTT LIST. THEIR TELEX ACCEPTING PROJECT IS ONLY

ACTION GOE WILL TAKE. EGYPT WILL DO NOTHING TO SEEK FAVORABLE ACTION BY CENTRAL BOYCOTT OFFICE OR VARIOUS NATIONAL OFFICES.

7. OUROUSSOFF BELIEVES THAT INFORMATION ABOUT HIS RECALL TO DETROIT IS WHAT SPURRED EGYPTIANS, AT BEHEST OF PRIME MINISTER, TO PRESENT NEW PROPOSAL TO COMPANY. TERMS COMMUNICATED REFTEL INDICATE GOE IS BACKING DOWN ON 70 PERCENT LOCAL CONTENT REQUIREMENT, BUT IT HAS APPARENTLY DECIDED TO TAKE ITS STAND ON ISSUE OF DIFFERENTIAL BETWEEN CDK AND BU DUTIES. HOW COMPANY WILL RESPOND TO PROPOSAL IS UNKNOWN. IN THIS LATEST DISCUSSION, GAZARINE APPARENTLY REFRAINED FROM STATING BALDLY THAT IT WAS GOE'S "ABSOLUTELY FINAL" OFFER, AND REDUCTION IN DIFFERENTIAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CAIRO 11195 061257Z

TIAL FROM 20 PERCENT TO 15 PERCENT MAY BE EVIDENCE OF GOE INTENTION TO BARGAIN. WE NOTE THAT MINISTERIAL ACTION EVIDENTLY WAS TAKEN IN ABSENCE OF PRES. SADAT AND FONMIN FAHMY, AS WELL AS OF INVESTMENT AUTHORITY DEPUTY CHAIRMAN EL NAZER AND DEPPRIMIN KAISSOUNI. CONCEIVABLY, THESE OFFICIALS MAY WISH TO MAKE THEIR VIEWS FELT BEFORE FINAL DECISION IS TAKEN BY GOE, ALTHOUGH IDEA OF MEETING OF HIGHER INVESTMENT COUNCIL APPEARS TO HAVE BEEN ABANDONED, AT LEAST FOR TIME BEING. FOR REASONS NOT CLEAR TO OUROUSSOFF, GAZARINE ADVISED AGAINST FORD ATTEMPTING CONTACT KAISSOUNI IN US.
EILTS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, FOREIGN INVESTMENTS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 06-Jul-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO11195
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770239-0657
Format: TEL
From: CAIRO
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770789/aaaaczhu.tel
Line Count: 148
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8cc2b370-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 77 CAIRO 11089
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1956348
Secure: OPEN
Status: NATIVE
Subject: GOE STIFFENS TERMS FOR FORD INVESTMENT PROPOSAL
TAGS: EINV, ETRD, EG, FORD MOTOR CO
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8cc2b370-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009